

## PUBLIC SECTOR HOUSING IN SCOTLAND: TRENDS AND PROSPECTS

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### Introduction

The intention in this paper is to take Arthur Midwinter's analysis one step further. In his contribution, he examined trends in housing finance since 1979; this paper looks at the effect of those trends.

It begins with a summary of the main changes in housing policy. These have been achieved by financial and administrative controls rather than by legislation, and have thus, for the most part, escaped public attention.

The paper then goes on to itemise the effect of these policies in various parts of the housing service, and, in so doing, painting with a very broad brush, a picture of Scottish housing at a specific point in time (July 1984). It concentrates on the public sector, and thus passes over some of the most significant developments, such as the upsurge and collapse of the improvement and repair grant programme. Within the public sector, the emphasis is placed on its largest component, council housing. The role of the Scottish Special Housing Association is the subject of a separate paper. Space does not allow more than passing reference to the housing association movement, which deserves a paper in its own right.

The concluding section is an indulgence in crystal-ball gazing. Recent changes have dramatically shifted the focus of debate on housing in Scotland, and the paper attempts, in a necessarily speculative fashion, to ask "where now?"

### The Changes Summarised

The first task is to review the shifts in Government policy that have affected the public sector in housing in Scotland in recent years. In taking 1979 as the starting point for such a before-and-after analysis, the intention is not to hold the Conservative administrations of 1979 and 1983 responsible for all the changes that are currently in evidence. There is more common ground between the Conservative governments and their Labour predecessor than many care to recognise; for example, public expenditure on housing shows a clear downward trend since 1975, and much of the thinking of the Labour government defeated in the 1979 election was incorporated in the 1980 legislation. Nevertheless, 1979 does represent a convenient milestone if only because it marks an acceleration in the pace of change.

The major piece of legislation to reach the statute book since 1979 has been the Tenants' Rights etc (Scotland) Act 1980. The title of the legislation is significant, in that it departs from the long tradition of simply-named Housing Acts (or similar) both north and south of the border. The intention was to highlight the package of rights or reforms being introduced (principally) to the public rented sector. These included non-controversial matters such as the right to security of tenure and the right to a written lease, but, much more importantly, the right, conferred by Part I of the Act, for tenants to purchase their houses with discounts and the right to a mortgage.<sup>(1)</sup> This right, subsequently extended by amending legislation, far outweighs in importance the rest of the Act, in that it fundamentally alters the nature of the landlord-tenant relationship. But it must not be seen in isolation from other changes which have done as much if not more to alter the image of council housing.

Other housing legislation has not excited the same level of interest or controversy. The important, but legalistic, Matrimonial Homes (Family Protection) (Scotland) Act 1981 (which gave certain rights to partners in a marriage or relationship over the occupation of the home) began life in the House of Lords and never succeeded in capturing the imagination of a male-dominated Parliament. The UK-wide Social Security and Housing Benefits Act 1982 said remarkably little about the detail of the housing benefits scheme, instead delegating authority to the Secretary of State to make regulations which were not extensively debated in Parliament. Other far-reaching but technical changes have been introduced in predominantly non-housing legislation such as the Local Government (Miscellaneous Provisions (Scotland)) Act 1981 and the Rating and Valuation (Amendment) (Scotland) Act 1984, where public concern focused on the Secretary of State's power to curb local government expenditure generally.

But, with these exceptions, the policy shifts witnessed since 1979 have been the product of the manipulation of existing financial controls. The powers to limit capital expenditure and to withdraw Housing Support Grant, discussed by Arthur Midwinter, are not new. But they have been used since 1979 by the Scottish Office in such a way as to direct resources away from the public sector, in line with the twin prevailing orthodoxies of reducing public expenditure (as defined by the Treasury) and privatisation. These financial controls have been accompanied by a constant emphasis placed by Government ministers on the merits of owner-occupation, as manifested in Conference speeches and in Parliamentary Question Time. Meanwhile, the relative financial position of owner-occupiers has been improved, partly by way of incentives to low-cost house purchase (including discounts to council house purchasers) but also by the maintenance and enhancement of advantages available to owner occupiers through anomalies in the taxation system.<sup>(2)</sup>

There are four general points to be made from this brief review of policy changes. Firstly, the largely technical and financial nature of the changes has meant that there has been little Parliamentary or public debate about their effect. Housing was not an issue in the 1983 election in the way it had been in, for example, February 1974. When the public *did* express a view on housing, it was one of virtual complacency. According to *British Social Attitudes: the 1984 Report*<sup>(3)</sup> there was a strong feeling that more public money should be spent on health and education, but not on housing. Although pressure groups and, increasingly, local authorities spoke out against what they saw as damaging cuts<sup>(4)</sup>, the general public remained sceptical. The tenants' movement, perhaps divided by the right-to-buy issue, remained generally quiet, except on single-issue campaigns, such as dampness. In short, housing has not been seen as a political priority.

This generalisation is, however, less true in Scotland than in England and Wales, and here I come to the second point. The effect of the trends described is bound to be different in Scotland, where 53% of all households are public sector tenants, from the impact in England where the comparable figure is only 28%. Other significant differences between the two countries exist; for example, council house rent levels are about 30% lower in Scotland, and no Scottish housing association tenants have the right to buy. Scotland maintains elements of its tradition of public renting which is absent from much of England. Nevertheless, the trends reflect a convergence in the housing situations north and south of the border.

Thirdly, the changes have had a profound impact on the nature of the

relationship between central and local government, with the balance of power shifting from the latter to the former. This is, of course, not confined to the sphere of housing. But, whereas other areas of local government spending are constrained by general powers, housing is subject to specific controls. In particular, as Arthur Midwinter has described, councils no longer have the freedom to fix rent levels as they choose. Housing is by far the most important function performed by district councils, and the erosion of their freedom of manoeuvre has left councillors angry, frustrated or impotent. 80% of Scotland's council housing is in Labour-controlled districts, but Conservative and independent councils have also expressed their resentment. It remains to be seen whether the future of the central-local government relationship will be characterised by hostile confrontation or resigned passivity.

Finally, and most significantly from the point of view of this paper, Government policy since 1979 has profoundly affected the role to be played by the public rented sector. A combination of the right-to-buy, reduce public sector subsidies, increased rents, increased reliance on means-tested benefits and reduced capital expenditure has created a public sector which would have been difficult to imagine fifteen years ago. Indeed the transformation has been as swift and as radical as any shift in social policy in recent decades. The term coined by commentators to describe the change has been "residualisation", and although cumbersome, it admirably describes what has happened. It is the "process whereby public housing moves towards a position in which it provides only a 'safety net' for those who, for reasons of poverty, age or infirmity, cannot obtain suitable housing accommodation in the private sector. It almost certainly involves lowering the status and increasing the stigma attached to public housing....(It) also involves changes in the terms on which public housing is available."<sup>(5)</sup>

The remainder of this chapter is concerned with the evidence of residualisation of public sector housing in Scotland since 1979. The context is set by the financial and legislative changes already described; but it remains to be seen what the effect of these trends has been in terms of bricks and mortar.

### New House Building

The most stark indicator of the health of the public sector is provided by the rate of new housebuilding. Table 1 presents the figures for starts (the most sensitive measure) for both council housing, public sector housing as a whole and the private sector.

TABLE 1

## Dwellings Started in Scotland

	Local Authority	All Public Sector	Private Sector	All Dwellings
1969	23,897	31,162	8,640	39,802
....				
1974	16,324	22,258	10,258	32,516
....				
1979	4,858	7,871	15,375	23,246
1980	2,770	6,702	9,766	16,468
1981	1,929	3,936	11,098	15,034
1982	2,583	6,448	12,143	18,591
1983	2,174	3,803	15,337	19,140

Source: SDD, Scottish Housing Statistics.  
SDD, Housing Statistical Bulletin.

It can be seen that the major decline in the rate of new public sector housebuilding occurred *before* 1979. The abandonment of wholesale clearance policies from the late Sixties accounts for the bulk of the decline: but public expenditure constraints in the Seventies had further reduced the rate of activity. From 1979 to 1983 the downward trend continued. The rate of starts in 1983 was less than a half of that in 1979. Furthermore, an increasing proportion of housebuilding was for so-called special needs (in particular the elderly) rather than general needs as in the past. Interestingly, the last decade marked a reversal of the situation which has prevailed since 1919, in which Scotland built *proportionately* more public sector houses than the rest of the UK. In 1983, Scotland's rate was only 8.1% of the UK total.

Building for the private sector has risen since 1980 in response to the demand stimulated by the Government for low-cost owner occupation, although the picture has been complicated by fluctuations in the availability and price of credit. But the response has not been as enthusiastic as might be expected and does not compensate, overall, for the decline in public sector construction since 1979. Supply factors, such as local shortages of suitable land partially account for this situation, but the main explanatory factor is the limited scope for extending owner occupation downmarket by way of new building. With the average price for new houses in Scotland at Spring 1984 standing at £31,000<sup>(6)</sup>, and with much cheaper options available to those exercising the right-to-buy, new private house building cannot be expected to rise much above the levels evident in the early 1980s. Nevertheless, private sector house building has, since the mid-1970s, overtaken the public sector, a reversal of the pattern of the previous fifty

years.

## Sales

The supply of public sector housing is also affected by the level of sales. Table 2 shows the effect of the introduction of the right-to-buy in October 1980.

TABLE 2

## Sales to Sitting Tenants

	Local Authority	All Public Sector
1979 <sup>1</sup>	642	1,670
1980 <sup>1</sup>	2,938	6,488
1981 <sup>2</sup>	6,803	11,043
1982 <sup>2</sup>	10,772	14,965
1983 <sup>2</sup>	11,883	17,473

<sup>1</sup> Includes small number of houses sold other than to sitting tenants.

<sup>2</sup> Based on incomplete returns.

Source: SDD, Scottish Housing Statistics  
SDD, Housing Statistical Bulletin

Not all sales, of course, have taken place under the right-to-buy provision. Homesteading, improvement for sale to individuals and to developers have grown in importance, although the scale is still relatively insignificant.<sup>(7)</sup>

Right-to-buy sales account for less than 4% of the 1979 council housing stock (the proportions are much higher for SSHA and the New Town Development Corporations). One can be tempted to conclude that the impact is marginal; certainly, the level of sales is significantly less than in England and Wales, and must disappoint those who in 1979 envisaged a wholesale transfer of ownership in Scotland from the public sector to individuals. But it would be a mistake to minimise the effects. The differential impact of council house sales has now been well documented, especially in England<sup>(8)</sup>, but increasingly also in Scotland.<sup>(9)</sup> The (as yet) unpublished findings of the Scottish Office report on the subject confirm the fears of those who argued in 1979 that tenants exercising the right-to-buy would be concentrated in particular areas, with repercussions throughout the council sector.

Firstly, the level of sales is much higher in some local authorities than in others, as shown in Table 3.

TABLE 3

## Distribution of Sales by Selected Districts, October 1980–December 1982

	Number	Percentage of Stock Sold
Badenoch & Strathspey	97	9.0
Stewartry	228	8.8
Western Isles	219	8.7
Orkney	134	8.3
North-East Fife	583	7.3
Kincardine & Deeside	257	7.1
Bearsden & Milngavie	129	6.7
.....		
Motherwell	302	0.8
Glasgow	1265	0.7
Monklands	189	0.7
Clydesdale	52	0.5
Dundee	217	0.5
Clydebank	32	0.3

**Source:** *SDD*, Housing Statistical Bulletin, Sales of Public Sector Housing, February 1984.

The table shows two pronounced correlations: sales are higher in rural and (less markedly) suburban areas than in urban areas, and are higher in those areas with an initially *low* level of council housing. Thus it is in, for example, Bearsden and Milngavie and Badenoch and Strathspey that sales are significant, rather than (say) Glasgow or Motherwell. This pattern is even more pronounced at a local level: analyses of sales in authorities as disparate as Banff and Buchan<sup>(10)</sup> and Glasgow<sup>(11)</sup> show that some estates or communities have been virtually unaffected by the right-to-buy, while others have been transformed.

The second clear point to emerge concerns the types of houses sold, and this goes a long way to explain the geographical pattern described above. In almost all authorities (Edinburgh was a partial exception) sales have been concentrated in semi-detached and terraced housing (89.5% of all sales), particularly those built in the 1920s and since 1965. These houses represent the cream of the housing stock, and their sale substantially affects the image, in qualitative terms, of public sector housing. On the other hand, sales of flats and maisonettes, which make up half the housing stock, account for only 10.5% of all sales.<sup>(12)</sup> Similarly, sales have been concentrated among family houses (especially four-apartment) rather than smaller dwellings which are predominantly flatted.

A full analysis of the effect of council house sales would include a financial appraisal from the local authority's point of view. Suffice it to say, in passing, that the receipts from sales (prices currently average £9,343, after the average 44% discount has been taken off) *have* improved the cash-flow situation of authorities suffering cut-backs in their capital expenditure allocations. But income is nowhere near enough to allow the *replacement* of the houses lost, and when measured against the income lost by way of rent foregone, the overall long-term financial effect of sales is certainly against the local authority interest.<sup>(13)</sup>

However, the main concern here is to highlight the effect on the supply of public sector housing. The combined effect of reduced rates of house building, a limited amount of demolition, and losses through sales, has been that the size of the public sector housing stock has diminishing, from 1,090,000 in 1981 to 1,049,000 in 1983. The effect in certain localities is more pronounced. As a result, shortages are emerging which belie the picture presented by global statistics suggesting that there is more than enough housing to go round.

Indicators of housing need are always difficult to interpret. But there can be little doubt that the 15,000 applications made to local authorities under the Housing (Homeless Persons) Act 1977 in Scotland each year understate the real homelessness problem, as most single people and childless couples are not covered by the legislation. Shelter (Scotland) found that numbers on council house waiting lists grew from 144,000 in 1981 to 156,000 in 1982. While questions have been raised about the validity of this measure, there can be little doubt that the upward trend reflects the growing shortage of council housing, of the appropriate type, size and location.

An additional perspective can be gained from projections covering the next few years. Projections made in 1979 covering the period up to 1991 suggest a percentage increase in the number of households in Scotland from 1.80m to 1.90m. By far the largest component of this increase was an anticipated 22% increase in the number of single person households.<sup>(14)</sup> For this category alone, there is a need for 7,000 additional houses every year until 1991. Given the limited purchasing power of single people in particular, a substantial part of this additional need must be met by the public sector. A housing policy which emphasises transfers of ownership *within* the stock, at the expense of additions to the stock, will not be able to satisfy these needs.

## Modernisation

The above discussion has examined the quantity of public sector housing. However, judging from the content of local authority Housing Plans, and the public statements made by both politicians and professionals, the issue of quality is at least as important, and perhaps more so. Expenditure constraints have affected both modernisation programmes (capital expenditure) and repair expenditure on the Housing Revenue Account. There is a grey area between the two categories, and some authorities (Glasgow being the most notable) have taken advantage of this by switching repairs expenditure from capital to revenue and vice versa, as circumstances warrant.

The existing public sector housing stock poses a wide variety of problems, depending on the type and date of construction. Over 70,000 council houses built before 1939, are still to be modernised. Modernisation in these cases normally consists of replacement of kitchen and bathroom fittings, rewiring, the provision of heating systems, window replacement and structural repair to varying extents. Costs vary greatly, but full modernisation can be expected to cost over £10,000 per unit. This has been substantially reduced in Glasgow by the adoption of the Tenants Grants Scheme, but three-quarters of the savings here were attributable to a reduction in the work content.<sup>(15)</sup> However, many of the houses so modernised, particularly those built under the relatively generous standards of the 1920s, remain popular, and can be expected to provide good quality accommodation for many years.

Much more intractable problems are posed by council houses of non-traditional construction in the years immediately before, but particularly after the Second World War. About 30,000 non-traditional houses built between 1945 and 1955 require to be modernised. In the case of houses built under such systems as Orlit, Airey, and BISF, major structural work may be required to make the houses safe.

A third group of problems is posed by 1960's systems-built houses, particularly those forming part of high-rise or deck-access blocks. The problems arise from the uncritical adoption of inappropriate designs and construction methods in an attempt to boost house construction towards Government targets. Design problems were often exacerbated by expensive or inadequate heating systems. Hutchesontown in Glasgow, Whitfield in Dundee and Wester Hailes in Edinburgh all illustrate variations on this theme. In some cases, demolition has proved to be the alternative favoured by councils at a loss as to how to make the houses habitable.

Much of the debate about modernisation has centred on dampness. This single issue has probably occupied more Parliamentary time than any other aspect of housing over the last five or six years. Dampness may take the form of penetrating damp, which is particularly acute where exposure to wind-driven rain coincides with construction defects. Much more widespread, however, is condensation dampness, which affects an estimated one council house in five in Scotland. Whereas the blame for condensation has often been put on the way people live, there is now much wider acceptance that it is the product of design and construction of the house, the means of ventilation, and the heating system. Legal authority was given in 1982 to this interpretation by a court decision under the Public Health (Scotland) Act 1897, where Renfrew District Council were held to be responsible for condensation in modernised council houses in Johnstone because of their failure, among other things, to consider the cost of running the central heating system provided.<sup>(16)</sup>

Campaigns fought by the Johnstone tenants and other groups, and mounting public concern about the causes and extent of dampness, prompted an investigation by the Select Committee on Scottish Affairs into the subject in late 1982. The investigation, which involved the collection of evidence from a wide range of bodies, was interrupted by the 1983 General Election. But a report – albeit one which merely reflected the state of the discussion at the time of the dissolution of Parliament – was eventually produced in February 1984.<sup>(17)</sup>

While not as hard hitting as many critics (and some members of the Committee) would have liked, the Report does recognise that damp living conditions are “a major social evil”, and that “it is unreasonable to blame tenants for problems which arise because their living habits are those common in society generally, or because they cannot afford to pay for heating, or because their homes are badly designed or built”. In sympathy with the majority of witnesses, it called for a house condition survey, and an injection of resources specifically to deal with the dampness problem; they estimated £500 million was required to cure the problem of damp in Scottish council houses. On both issues, the Government has not moved, raising important questions about the effectiveness of the Select Committee machinery.

Exchanges between local and central government also have occurred on the subject of asbestos. Asbestos is found in many elements in the construction of houses, particularly as pipe lagging, in ducted heating systems, and in wall panels. Recognition of the health hazard it presents

and concern about the extent of its use in the Fifties and Sixties has prompted local authorities to ask for more resources to get rid of asbestos in their council houses. As with dampness, the Government's response has been to leave it to councils to determine expenditure priorities within the limits set by their capital allocations.

### Repairs

Spending on repairs funded by the Housing Revenue Account increased until 1982, but has since fallen slightly in real terms as HRA expenditure has been squeezed. As buildings deteriorate and expectations rise, the dissatisfaction felt by tenants over levels of repairs increases. The incidence of vandalism and environmental dereliction are particularly important in undermining the morale of tenants of an estate. Yet, in the present circumstances, councils feel they are running hard to stand still.

With resources scarce, they have turned to new measures to improve the efficiency of the repairs service. The trend away from routine response repairs towards cyclical repairs on a planned basis is widespread, and, as in the case of the Scottish Special Housing Association, planned maintenance can achieve a high level of sophistication. Computerisation can assist in the reporting and ordering of repairs, and better liaison between housing and the technical departments can improve the quality of the service. A few authorities have sought to change the division of responsibility between landlord and tenant as regards repairs, but there is limited scope for this without encroaching upon the landlord's legal responsibilities.

The Government's response has been to introduce a statutory right under the Tenants' Rights etc (Scotland) (Amendment) Act 1984 for tenants to undertake repairs that are the landlord's responsibility and to reclaim a proportion of the costs from the landlord. There are practical obstacles to such a scheme; in particular, the tenant needs to have cash in hand to pay for the repair, has to engage the contractor, and generally acts as the agent for the local authority. Take-up, based on the experience of the Northern Ireland Housing Executive, will not be large, and will not bring substantial cost savings. The main significance of the statutory right to repair is that it changes the formal nature of the landlord-tenant relationship, which has hitherto been based on the common law and statutory duties on the landlord to maintain houses. The new position is ambiguous, and the changes cannot be to the tenant's advantage.

### Council House Management

Much of the negative image of council housing stems from the style of council house management long prevalent throughout Scotland, based on authoritarian assumptions and the denial of rights and information to tenants.<sup>(18)</sup> To the extent that this is a problem of attitudes rather than resources, it might be expected that innovations in housing management would be unimpaired by the current resource crisis. Many improvements in practice can be introduced at little or no cost, notably those involving the way the housing service is presented to the public. It is disappointing therefore to find that, in defiance of the spirit of the Tenants' Rights Act, a large number of local authorities publish their allocation rules in terms which are confusing, intimidating or generally negative<sup>(19)</sup>, and that tenancy agreements are often difficult to read and refer to, and fail to describe all of the tenants' rights.<sup>(20)</sup> Clearly, many councils do not feel it necessary to "sell" their service. It is hardly surprising, therefore, that tenants feel frustrated and sometimes hostile.

But advances have been made. The concept of a decentralised housing service, in an attempt to get away from the monolithic town-hall image, has gained acceptance in such councils as Glasgow and Edinburgh. Communication between headquarters staff and those in area offices is crucial if decentralisation is to be more than window-dressing. In this, computerisation is vital. While a few councils have taken full advantage of the information revolution, others have been slow to recognize that routine aspects of allocating houses and ordering repairs can be left to the computer, leaving staff free to concentrate on the tasks which require personal contact.

Bringing the housing service closer to the public has taken other forms. Some critics of public sector housing management argue for a much greater degree of tenant involvement in decision-making. The right for tenants to be consulted on matters affecting them, included as part of the equivalent English legislation, was omitted from the Tenants' Rights Act. But as compensation, the Government set up the Tenant Participation Advisory Service in Scotland which has promoted the idea of tenant involvement in decision-making to those councils who have been prepared to listen. The trouble is that "tenant participation" means very different things to different people, ranging from better and fuller information to tenants (West Lothian's Tenants' Handbook is a good example of what can be done) to the setting up of management co-operatives (in which Glasgow District Council and SSHA have taken the lead). But there is little evidence of any fundamental shift in the landlord-tenant relationship. The participation model represented by the community-based housing associations of Glasgow represents the closest Scotland comes to changing

the authoritarian patterns of the past; yet, as they evolve, these associations tend in practice to lose the democratic decision-making structures which characterised their infancy.

A more sensitive housing management service requires better training and education of staff. Here, Scotland has made significant advances since 1979, albeit from a deplorably low base level. The importance of staff training at all levels has been recognised by the setting up in 1980 of the Scottish Housing Training Unit of the Institute of Housing, partially funded by local authorities. Its work includes the running of courses in management skills as well as specific aspects of housing policy. The shortfall of professionally qualified staff in housing in Scotland – a 1977 Report found only 97 qualified staff, against a conservatively estimated requirement of 350<sup>(21)</sup> – has been addressed by the establishment of courses at the Universities of Stirling, Glasgow and Heriot-Watt. This must be a positive trend. But better facilities and more generous staffing levels are required to convert higher levels of training into a better housing service for tenants. At heart, the improvement of housing management is constrained by resources.

### Rents

An explicit part of the Government's stance on council housing has been its efforts to raise rents, by persuasion and administrative pressure rather than by direct rent fixing (see Arthur Midwinter's chapter). Although many local authorities have resisted this pressure, and attempted to minimise rent increases, the overall effect has been for rents to rise considerably faster than inflation since 1979. Average rents in 1984 were £513.42 p.a., compared with £255.61p.a. in 1979, an increase of 101%. Although rents are still almost a third below English/Welsh averages, this does constitute a move away from the traditional Scottish low rent policy.

Rising rents in combination with unemployment, and, in many sectors of the population, falling real incomes, have led to a sharp increase in rent arrears, at least until 1983. Accurate figures on arrears are difficult to find because of differences in rent accounting methods, but Glasgow, for example, had arrears amounting to 14% of collectable rent in 1983.<sup>(22)</sup> While this rise has caused alarm in some quarters, there has been a new awareness of the causes of arrears. A Scottish Office report in 1980 stated unambiguously that poverty was the principal cause of rent arrears, and that there was little evidence of fecklessness or deliberate refusal to pay rent.<sup>(23)</sup> This message has at least begun to be understood by councils who are increasingly likely to investigate a tenant's financial circumstances

before resorting to eviction proceedings. A change in attitude has also been encouraged by the provisions in the Tenants' Rights Act which required courts to be satisfied that it is reasonable to evict a tenant (for rent arrears or any other of the other grounds specified) before it grants an eviction order. The impact of the Act is discussed by Adler and Himsworth in their chapter in this book. However, it would be misleading to attribute too much to the legislation. Many local authorities and most sheriff courts have followed the letter but not the spirit of the 1980 Act.

The rise in rent arrears has been stemmed by the introduction of housing benefits in 1982-83, because most council tenants on supplementary benefit (certificated cases), now have their rent paid directly to the council by the DHSS. In other respects, however, the housing benefit system has completely failed to live up to expectations. In particular, it has done nothing to simplify a chaotic system which treats households on similar incomes in very different ways, depending on whether or not they are in employment. Local authorities, who in 1982 resisted the over-hasty introduction of the scheme, have found housing benefits to be an administrative nightmare, particularly in making payments to private tenants. 812,000 households in Scotland (590,000 of them tenants) receive housing benefit, almost half of all households.<sup>(24)</sup> Yet take-up is still a problem, and eligible households must number about a million. This reliance on means-tested assistance, subject to the complexities, vagaries and reductions in benefit levels which at present characterise the system, has implications for the way housing costs are met, in particular in the public sector.

This leads me to return to the concept of residualisation. The replacement of general subsidies to council housing by a means-tested form of support for the poor does much to promote the welfare image. For those who do not qualify for housing benefit, rising rents provide an incentive to tenants to buy, thereby gaining access to the fiscal benefits of owner occupation. Thus concentrating subsidies on the poorest tenants plays an important part in changing the relative position of council housing and owner-occupation.

### Conclusion

Having reviewed the trends in evidence, it is possible to make some observations about the future of council housing in Scotland.

The evidence of residualisation is unambiguous, although it would be inaccurate to take 1979 as the start-date for the trend. Falling levels of

investment, rising rents, subsidies and incentives to owner-occupiers, a concentration of the poorest households in the public sector, and a reliance on means-tested assistance within the public sector all contribute to a transformation of the role of council housing. The most recent developments indicate, if anything, an acceleration of the trend. The Public Expenditure White Paper indicates a further 12% drop (in money terms) in housing expenditure in Scotland between 1983/84 and 1985/86, with rate-fund contributions the most likely area for enforced reductions. The Tenants Rights etc (Scotland) (Amendment) Act 1984 indicates, in relation to the right-to-buy, that the Government is envisaging a "more-of-the-same" policy, with quite significant extensions in the discount arrangement expected to fuel a new boom in house sales. Perhaps the most explicit statement yet of the Government's view on tenure is provided by the Building Defects Act, which provides for 90%-100% reinstatement grants to those former council tenants who have bought specified system-built houses with structural defects, while offering no assistance to councils to carry out similar work to identical houses which remain in council ownership.

The emphasis on extending owner-occupation at the expense of the public rented sector, and the growing disparity in levels of financial assistance to occupiers in the two sectors provide evidence that current Government thinking is overwhelmingly concerned with tenure. The reasons for this emphasis are complex, but perhaps have more to do with promoting a certain ideology based on individual ownership and minimal state involvement, rather than simply reducing public expenditure. The danger is that in following this course of action, the economic and social costs are being ignored.

The crucial point is that tenure change cannot on its own improve housing conditions or satisfy housing need; only increased investment can do that. Increasing rates of owner-occupation merely redistribute housing resources, and the pattern of that redistribution is on the whole regressive. International comparisons are illuminating as shown in Table 4.

Most of the best-housed nations in Europe have rates of owner-occupation similar to that of Scotland (37%) and below that of Great Britain (56%) (1981 figures). By contrast, those countries with high rates of owner-occupation have, in general, some of the poorest housing conditions.<sup>(25)</sup> Looked at in this light, the pursuit of the property-owning democracy seems a rather quixotic enterprise.

Other concerns can be expressed about the growth of owner-

occupation. Firstly, in an attempt to lower the cost of entry to owner-occupation, construction standards are being sacrificed, particularly in relation to space. Only time will tell if the houses provided in the Government-inspired private building mini-boom of the 1980s will retain their value.

TABLE 4

## Percentage Rates of Owner-Occupation in Selected European Countries

	Date of Information	% Stock Owner-occupied
Bulgaria	1970	82
Ireland	1979	76
Greece	1970	72
Yugoslavia	1971	71
Spain	1970	64
Netherlands	1977	41
West Germany	1978	36
Sweden	1970	35
Switzerland	1970	28
East Germany	1970	27
USSR	1970	23

Source: United Nations: Major Trends in Housing Policy in EEC Countries, Economic Commission for Europe, 1980 and Building Societies Association, Housing Tenure, 1983.

Secondly, owner-occupiers on low incomes are the least able to meet the repair and improvement costs associated with down-market property. They are also exceedingly vulnerable to fluctuations in the mortgage interest rate, such as that experienced in July 1984. The financial advantages of owner-occupation are only fully realised by those on secure incomes sufficient to purchase sound houses whose capital appreciation is guaranteed.

Thirdly, the popularity of owner-occupation and council house sales in particular is in very large part attributable to the financial incentives being offered. In theory, sales could be further extended by increasing the discounts, thus ensuring a continued flow of capital receipts for recycling. The further this process goes on, the less sense it makes economically, as assets are being sold at prices which do not reflect their value to the community. Hitherto, the concern with capital receipts has ignored consideration of the value of the assets being disposed of.

Finally, the growth of owner-occupation is likely to be very expensive in the long-run. Mortgage interest tax relief in Scotland now costs the Government an estimated £160m by way of revenue foregone. This figure is



rising rapidly, and on a *per capita* basis is about three times as much as is paid out to council tenants in Housing Support Grant and rate fund contributions. The alternative way of assessing subsidies to owner-occupiers, through exemptions from investment taxes, would show an even higher cost to the nation. It is quite clear that the policy objective of increasing owner-occupation is being bought at enormous public expense.

Current housing policy is thus inefficient and inequitable. Pressure for reform has grown in recent years, from bodies as diverse as the Policy Studies Institute<sup>(26)</sup> and Shelter.<sup>(27)</sup> The virtually unanimous view is that housing finance needs a thorough overhaul, embracing the taxation system as well as housing subsidies as conventionally defined.

But what would emerge from such a review? It is quite clear that the country cannot return to some mythically halcyon days before the term residualisation was invented; reverting to 1975 levels of expenditure on housing would be prohibitively expensive. In any case, the change in the popular image of council housing over recent years is probably irreversible. If the public sector in housing is to escape the welfare stigma, it must follow new directions which do not fit easily into the tenure pattern we have grown to accept. For example, Forrest, Lansley and Murie argue against a recreation of the previous structure of tenure, in favour of a form of "municipal home ownership", loosely based on the Swedish model, to be achieved by a rechanneling and reorientation of subsidies.<sup>(28)</sup>

It remains to be seen whether such fundamental reform could ever be adopted as a manifesto item by choice by any political party (the alternative scenario of reform being forced on an unwilling Government on grounds of economic necessity is perhaps more likely). Any proposal which involves increasing the tax burden on owner-occupiers is unlikely to appeal to an electorate dominated, in Britain, if not in Scotland, by owner-occupiers. Certainly, the Labour Party, the traditional supporter of the public sector, has shown itself unwilling to address itself to the sorts of reforms which would encourage its revival. In a recent discussion paper, the Scottish Council of the Labour Party stated the view that "any Labour Party policy on housing must tackle this divergence (in the distribution of subsidy) *not by hitting house owners*, but by restoring financial aid to those who rent their houses" (my emphasis).<sup>(29)</sup> Yet it is difficult to see how any reform which does not address itself to the privileges enjoyed by owner-occupiers can ever make sense of our housing system.

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